

Message Text

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ACTION NEA-12

INFO OCT-01 EUR-25 EA-11 ISO-00 EB-11 COME-00 AGR-20 AID-20

TRSE-00 STR-08 CIEP-02 CEA-02 CIAE-00 INR-10 NSAE-00

RSC-01 PA-04 PRS-01 USIA-15 SS-20 NSC-07 SWF-02 IO-14

OMB-01 DRC-01 /188 W

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R 291100Z MAR 74

FM AMEMBASSY COLOMBO

TO SECSTATE WASHDC 735

INFO AMEMBASSY ISLAMABAD

AMEMBASSY MOSCOW

AMEMBASSY NEW DELHI

USLO PEKING

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EO 11652: N/A

TAGS: PFOR, ECON, CE

SUBJ: GSL FOOD SHOPPING/BUYING SPREE

REF: COLOMBO 652

1. SUMMARY: GSL WHEAT- AND RICE-PURCHASING MISSIONS TO USSR AND INDIA AND TO PRC AND PAKISTAN, FOLLOWING LARGE-SCALE PURCHASE FROM AUSTRALIA, HAVE SUCCEEDED IN AVERTING IMMEDIATE FOOD SHORTAGES AND IN EASING EXPECTED SUMMER TIGHT SPOT. SUPPLIES WERE, HOWEVER, OBTAINED AT HIGH PRICES AND ON RELATIVELY STIFF TERMS. IMPORTS CONTRACTED FOR DURING PAST SIX MONTHS COME TO \$200 MILLION, OR TWO-THIRDS TOTAL RECEIPTS FROM SRI LANKA EXPORTS FOR 1974, FOR 200,000 TONS WHEAT AND 280,000 TONS RICE. FOCUS NOW MUST TURN TO FINDING SUFFICIENT FINANCIAL RESOURCES TO MEET VERY STEEP FOOD IMPORT BILL AND TO NEW MEASURES TO STIMULATE LAGGING DOMESTIC PRODUCTION. END SUMMARY

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2. RETURN OF MINISTER FOR IRRIGATION, POWER AND HIGHWAYS

MAITHRIPALA SENAYEKE FROM FOOD PURCHASE MISSION TO INDIA AND USSR HAS CLOSED THREE WEEKS OF ACTIVE INTERNATIONAL SHOPPING WHICH INCLUDED VISIT BY TRADE MINISTER T.B. ILANGARATNE TO PAKISTAN AND PRC AND LOWER-LEVEL MISSION TO AUSTRALIA, IN ADDITION TO SENANAYEKE'S LENGTHY MOSCOW TRIP. SENANAYEKE SECURED 30,000 TONS WHEAT FLOUR FOR EARLY DELIVERY ON REPORTEDLY SOFT TERMS HE HAD HOPED TO ARRANGE LONG-TERM AGREEMENT FOR SUPPLY OF UP TO TEN TIMES THAT AMOUNT OF WHEAT (REQUIRING MILLING INTO FLOUR). (USSR ALSO AGREED TO SUPPLY AGRICULTURAL EQUIPMENT ON UNDISCLOSED TERMS.) INDIA, HARD-PRESSED BY DOMESTIC SHORTAGES, AGREED TO SUPPLY 10,000 TONS RICE ON RUMORED 90-DAY LOAN. ILANGARATNE OBTAINED 30,000 TONS RICE FROM PRC, REPAYMENT TO BE MADE IN RUBBER THIS YEAR AND NEXT, WHEREAS GSL HAD HOPED TO SECURE UP TO 170,000 TONS RICE FROM PRC ON DEFERRED REPAYMENT PLAN. PAKISTAN AGREED TO SUPPLY 80,000 TONS RICE AT WORLD MARKET PRICES. EARLY IN MARCH AUSTRALIA AGREED TO SUPPLY 100,000 TONS WHEAT FLOUR AND 70,000 TONS WHEAT AT WORLD-MARKET PRICES AND ON THREE-YEAR COMMERCIAL RATE REPAYMENT TERMS. COMBINED WITH LATE 1973 WHEAT-FLOUR PURCHASES FROM FRANCE AND YEAR-END GSL-PRC RIBER-RUBBER AGREEMENT (RRA) (COLOMBO 3175, DEC 28, 1973), LATEST AGREEMENTS REPRESENT WHEAT/RICE IMPORT BILL OF NEARLY \$200 MILLION SINCE AUSTERITY MEASURES AND DRIVE FOR FOOD SELF-SUFFICIENCY WERE LAUNCHED IN OCT 1973.

3. PROMPT DELIVERY OF 10,000 TONS RICE FROM INDIA AND BELATED ARRIVAL OF SUPPLIES EXPECTED EARLIER PROMISE TO EASE CURRENT FOOD SHORTAGES BY MID-APRIL. RICE RATION HAS BEEN INCREASED TO ONE AND ONE-HALF MEASURES PER RATION CARD-HOLDER PER WEEK THROUGHOUT COUNTRY IN ANTICIPATION OF HEAVY DEMANDS DURING BUDDHIST AND HINDU NEW YEAR FESTIVITIES AND GROWING PUBLIC IMPATIENCE WITH GOVTS FOOD POLICIES. MAHA RICE CROP NOW BEING HARVESTED APPEARS GOOD IN SOUTHERN AREAS AND POOR FARTHER NORTH, LEADING TO EXPECTED TOTAL HARVEST OF NO MORE THAN 50 MILLION BUSHEL (OF INITIAL TARGET OF 80 MILLION). DESPITE WIDELY PUBLICIZED POLICE RAIDS ON ALLEGED HOARDERS AND ILLICIT RICE TRANSPORT, PADDY MARKETING BOARD (PMB) LIMITED OFFICIAL USE

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RICE INTAKE (TO MEET RATION REQUIREMENTS) REMAINS EXTREMELY DISAPPOINTING. MINISTER OF AGRICULTURE HECTOR KOBBEKADUWA HAS REPORTEDLY ASSURED CABINET THAT PMB WILL COLLECT 21 MILLION BUSHEL FROM CURRENT HARVEST, BUT, WITH PMB INTAKE CURRENTLY RUNNING AT ONLY 20 PERCENT OF LAST YEARS RATE, TOTAL MAY BE CLOSER TO 15 MILLION BUSHEL. SPECULATION THAT GOVT MAY INCREASE PMB GUARANTEED PRICE TO PADDY PRODUCERS FROM RS 25 TO RS 30 OR MORE

PER BUSHEL TO STIMULATE DOMESTIC PRODUCTION HAS SURFACED
EVEN IN PRO-GOVT PRESS. (BLACK MARKET PRICE PER
BUSHEL NOW RS 40 TO RS 55.) UNLESS PMB INTAKE INCREASED
SHARPLY DURING APRIL, CURRENT RICE RATION REQUIREMENTS (75,000
TONS PER MONTH) CANNOT BE MET FOR MORE THAN SIX WEEKS.
EXPECTATION IS THAT GSL WILL HAVE TO REDUCE RATION BUT
WILL NOT DO SO UNTIL AFTER APRIL HOLIDAY PERIOD. DELIVERY
DATES OF RECENT FOREIGN PURCHASES AND PMB RECEIPTS FROM
MAY ONWARD WILL GOVERN SEVERITY OF SUMMER FOOD SHORTAGE.

4. NOV 1973 BUDGET FORECAST 1974 FOOD IMPORT BILL
OF \$450 MILLION, ASSUMING
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Message Attributes

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